

## Small Business Lending in the United States, 2009-2010

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### Purpose

The availability of credit is fundamental to small business health, growth, and survival. Most small firms rely on depository lenders for their credit needs. The Office of Advocacy of the U.S. Small Business Administration conducts research about topics of interest to small businesses. Advocacy annually prepares a study of *Small Business Lending in the United States* that examines the supply of credit provided to small businesses by banks and other depository lenders. The report is meant to inform prospective lenders, policymakers, business owners, and lending institutions of developments in the small business loan markets.

This study relies on two types of data reported by depository institutions to their regulatory agencies and made available for analysis: the Consolidated Reports of Condition and Income (Call Reports) for June 2010, and the Community Reinvestment Act (CRA) reports for 2009. Small business loans here are defined as business loans under \$1 million; macro loans range from \$100,000 to \$250,000, and micro business loans are those under \$100,000. All small business lenders filing reports in the U.S. economy are examined, but no attempt has been made to distinguish SBA-guaranteed lenders in the report.

The first section of part one looks at the developments apparent in the Call Report data (June 2009 through June 2010); the second reviews developments based on the CRA database for the year 2009. Listings of the top small and micro business lenders in the 50 states, the District of Columbia, and some U.S. territories are found in part two of the report. This report for the first time includes cooperative banks in addition to savings banks, savings and loan associations, and commercial banks. Geographic coverage includes the territories of American Samoa, Guam, Puerto Rico, and the U.S. Virgin

Islands, in addition to the 50 states and the District of Columbia.

### Overall Findings

The overall pace of borrowing and lending for the small business loan market in 2009-2010 was much weaker than in the previous year, with the largest “megalenders” representing a significant portion of the decline.

### Highlights

- Borrowing from institutional lenders continued to decline for both small business loans—commercial real estate (CRE) and commercial and industrial (C&I) loans under \$1 million—and large business loans exceeding \$1 million. The value of small business loans outstanding declined by 6.2 percent.
- Two measures used to gauge levels of small business lending are the ratios of small business loans to total lender assets—the total assets ratio—and of small business loans to total business loans—the total business loan ratio. Declines in the total assets and total business loan ratios—down by 3.5 and 1.5 percent, respectively—show that small business borrowers continued to be less successful in competing for funds over the past year.
- The total value of the smallest business loans (less than \$100,000) began to stabilize in 2009-2010 compared with the 2008-2009 period. Micro business lending dropped by 5.5 percent in 2009; in 2010 the drop was 1 percent, with commercial real estate loans accounting for the entire decline. The value of micro loans outstanding (C&I and CRE loans combined) was \$159.3 billion in 2010, compared with \$160.9 billion in 2009.

- The value of mid-sized business loans of \$100,000-\$250,000 and larger mid-sized loans of \$250,000 to \$1 million declined by 9.4 and 7.3 percent, respectively. The value of loans between \$100,000 and \$1 million decreased by 7.7 percent, from \$534.3 billion in 2009 to \$492.9 billion.
- The 34 largest banks with \$50 billion or more in assets accounted for 38.7 percent of all small business loans outstanding and they represented 42 percent of the total decline in small business loans.
- The CRA reports confirm that small business lending declined in 2009. CRA-reporting institutions numbered 799 in 2009, and they made a total of 6.2 million loans valued at \$205.7 billion, down by 30.2 percent (\$294.9 billion) of the value and 42.1 percent (10.7 million) of the number of loans in the previous year.

## Scope and Methodology

This study covers the lending activities of depository institutions for the years 2009-2010. It uses two types of data reported by lending institutions to their regulating agencies—the Call Reports for June 2010 (for the amount and number of outstanding loans) and the CRA reports for 2009 (for loans made during the year). The reported data are available only by the size of the loan, not by the size of the business; thus, small business loans are defined as business loans under \$1 million; macro business loans are defined as loans between \$100,000 and \$1 million; and micro business loans are defined as loans under \$100,000. Developments in lending activities over time by lending institutions are analyzed based on the Call Report statistics for several variables. However, because of the changing number of lending institutions required to file CRA reports, year-to-year changes in these institutions' activities are more difficult to interpret than they are for the Call Reports.

Large lending institutions (with total domestic assets of more than \$10 billion) are ranked and reported separately, on the assumption that they serve a national market. Rankings by state are made for all reporting lenders on the basis of the designated headquarters state of the reporting lending institutions. Two ranking methods are used depending upon the availability of data. With lending institutions for which information on total assets and total business loans are available (those filing Call Reports), four criteria are used as the basis for a lender's performance ranking.

For the analysis of state lending based on the CRA data, lenders were listed in order of the dollar amount of small business loans made in each state in 2009; therefore, large institutions appear at the top. Simple rankings were used for multi-billion-dollar lending institutions because only a small number of lenders are involved.

This report was peer reviewed consistent with Advocacy's data quality guidelines. More information on this process can be obtained by contacting the director of Economic Research at [advocacy@sba.gov](mailto:advocacy@sba.gov) or (202) 205-6533.

## Ordering Information

The full text of this report and summaries of other studies performed under contract with the U.S. Small Business Administration's Office of Advocacy are available on the Internet at [www.sba.gov/advo/](http://www.sba.gov/advo/). Copies are available for purchase from:

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